No. 84-363

Office-Supreme Court, U.S.
FILED
FEB 21 1985
ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

October Term, 1984

NORTHEAST BANCORP, INC.,
UNION TRUST COMPANY and CITICORP,
Petitioners,

— against —

THE BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM,
Respondent,

— and —

BANK OF NEW ENGLAND CORPORATION, CBT CORPORATION, HARTFORD NATIONAL CORPORATION, THE COMMONWEALTH OF MASSACHUSETTS, THE STATE OF CONNECTICUT and BANK OF BOSTON CORPORATION,
Intervenor-Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Second Circuit

JOINT APPENDIX

IRA M. MILLSTEIN
WEIL, GOTSHAL & MANGES
767 Fifth Avenue
New York, New York 10153
(212) 310-8000
Counsel for Petitioner Citicorp

GEORGE D. REYCRAFT
CADWALADER, WICKERSHAM & TAFT
One Wall Street
New York, New York 10005
(212) 908-7000
Counsel for Petitioners Northeast Bancorp, Inc. and Union Trust Company

REX E. LEE
Department of Justice
Washington, D.C. 20530
(202) 633-2217
Counsel for Federal Respondent

[*List of Additional Counsel Printed on Inside Cover*]

PETITION FOR CERTIORARI FILED SEPTEMBER 6, 1984
CERTIORARI GRANTED JANUARY 7, 1985

WILMOT T. POPE
CHOATE, HALL & STEWART
60 State Street
Boston, Massachusetts 02109
(617) 227-5020

Counsel for
Intervenor-Respondent
Bank of New England
Corporation

THOMAS KILEY
Assistant Attorney General
One Ashburton Place
Boston, Massachusetts 02108
(617) 727-1033

Counsel for
Intervenor-Respondent
Commonwealth of Massachusetts

BERTRAM M. KANTOR
WACHTELL, LIPTON, ROSEN
& KATZ
299 Park Avenue
New York, New York 10171
(212) 371-9200

Counsel for
Intervenor-Respondent
CBT Corporation

JOHN G. HAINES
Assistant Attorney General
P.O. Box 120
Hartford, Connecticut 06101
(203) 566-4899

Counsel for
Intervenor-Respondent
State of Connecticut

DOUGLAS M. KRAUS
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM
919 Third Avenue
New York, New York 10022
(212) 371-6000

Counsel for
Intervenor-Respondent
Hartford National Corporation

STUART C. STOCK
COVINGTON & BURLING
1201 Pennsylvania Ave., N.W.
Washington, D.C. 20044
(202) 662-6000

Counsel for
Intervenor-Respondent
Bank of Boston Corporation

TABLE OF CONTENTS

	PAGE
A. Relevant Docket Entries and Important Dates	A1
B. Judgment of the United States Court of Appeals for the Second Circuit	A3
C. H.R. Rep. No. 609, 84th Cong., 1st Sess. (1955) (Excerpt)	A5
D. The Congressional Record (Excerpts)	A8
E. Affidavit of Walter J. Connolly, Jr. (April 18, 1984)	A21
F. Forbes 1983 Annual Banking Survey (April 11, 1983)	A25

APPENDIX A

Relevant Docket Entries and Important Dates

Chronological List of Important Dates in the Proceedings Before the Board of Governors of the Federal Reserve System

Date:	*Event:*
08/05/83	Application submitted by Bank of New England Corporation to merge with CBT Corporation
10/05/83	Letter and other documents from Northeast Bancorp, Inc. filed in opposition to Bank of New England Application
10/19/83	Application submitted by Hartford National Corporation to acquire Arltru Bancorporation
12/05/84	Letter and Memorandum from Citicorp filed in opposition to Bank of New England Application
12/16/84	Letter and Memorandum from Citicorp filed in opposition to the Hartford National Corporation Application
02/02/84	Application submitted by Bank of Boston Corporation to acquire Colonial Bancorp, Inc.
03/08/84	Letter and Memorandum from Citicorp filed in opposition to Bank of Boston Corporation Application
03/26/84	Order of Board of Governors of the Federal Reserve System Approving Bank of New England Corporation Application
03/26/84	Order of Board of Governors of the Federal Reserve System Approving Hartford National Corporation Application
05/18/84	Order of Board of Governors of the Federal Reserve System Approving Bank of Boston Corporation Application
06/11/84	The Board of Governors of the Federal Reserve System Stays Its Order Approving Bank of Boston Corporation Application

EDITOR'S NOTE

THE FOLLOWING PAGES WERE POOR HARD COPY AT THE TIME OF FILMING. IF AND WHEN A BETTER COPY CAN BE OBTAINED, A NEW FICHE WILL BE ISSUED.

Chronological List of Relevant Docket Entries and Important Dates in Proceedings Before the United States Court of Appeals for the Second Circuit

Date:	*Docket Entry or Event:*
03/27/84	Case docketed
04/04/84	CBT Corporation and Bank of New England Corporation granted leave to intervene
04/23/84	Hartford National Corporation granted leave to intervene
04/23/84	Connecticut granted leave to intervene
04/23/84	Massachusetts granted leave to intervene
04/24/84	Stay pending expedited appeal granted
05/14/84	Oral argument
05/22/84	Petition for review of Board Order Approving Bank of Boston Corporation Application filed
06/18/84	Review of Bank of Boston Corporation Order consolidated
06/19/84	Bank of Boston Corporation motion to vacate 06/11/84 Board stay of Order Approving Bank of Boston Corporation Application denied
08/01/84	Decision and Judgment affirming Board Orders
08/09/84	Stay of Mandate
08/22/84	CBT Corporation, Bank of New England Corporation, Hartford National Corporation, Bank of Boston Corporation and State of Connecticut motions for reconsideration of 08/09/84 stay of Mandate denied
09/06/84	Petition for certiorari filed
01/07/85	Certiorari granted

APPENDIX B

Judgment of the United States Court of Appeals for the Second Circuit

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the first day of August one thousand nine hundred and eighty-four.

Present: HON. RICHARD CARDAMONE
HON. GEORGE C. PRATT Circuit Judges
HON. DUDLEY B. BONSAL, District Judge*

84-4047, 84-4051, 84-4053, 84-4081

NORTHEAST BANCORP, INC. and UNION TRUST COMPANY,
Petitioners-Appellants,

v.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Respondent-Appellee.

CITICORP, a Corporation,
Petitioner,

v.

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Respondent.

---

* United States District Court for the Southern District of New York, sitting by designation.

A petition for review of orders of the Federal Reserve Board,

These causes came to be heard on the certified list of items comprising the record of the Federal Reserve Board and was argued by counsel,

Upon Consideration Thereof, it is ordered, adjudged and affirmed decreed that the orders of the Federal Reserve Board be and they hereby are affirmed in accordance with the opinion of this court with costs to be taxed against the petitioners.

Elaine B. Goldsmith, Clerk

/s/
By: Edward J. Guardaro
Deputy Clerk

APPENDIX C

H.R. Rep. No. 609, 84th Cong., 1st Sess. (1955) (Excerpt)

BANK HOLDING COMPANY ACT OF 1955

MAY 20, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 6227]

* * *

Evidence developed during the hearings has convinced your committee that bank holding companies are not in accord with the very precepts upon which our banking system rests. The United States early in its history, it should be recalled, adopted a democratic ideal of banking. Other countries, for the most part, have preferred to rely on a few large banks controlled by a banking elite. There has developed in this country, on the other hand, a conception of the independent unit bank as an institution having its ownership and origin in the local community and deriving its business chiefly from the community's industrial and commercial activities and from the farming population within its vicinity or trade area. Its activities are usually fully integrated with the local economic and social organization. The bank holding company device threatens to destroy this democratic grassroots institution.

Your committee believes that the destruction of the American unit banking system, resulting in the further

concentration of credit facilities, would have revolutionary effects upon our free-enterprise system. Ultimately, monopolistic control of credit could entirely remold our fundamental political and social institutions.

The time for action is now. We dare wait no longer, for already we are rapidly following the example of England whose many banks became the Big Five. She finally passed a law against further concentration. The Bank of England has been nationalized. France has nationalized its few banks. The same will inevitably come to pass here unless we forestall it by legislation.

* * *

In the past, Congress has repeatedly been urged both to permit national banks to carry on branch banking across State lines and to allow them to operate interstate branches without regard to State branch banking laws. The Congress however has steadfastly respected the rights of the States to specify the extent to which branch banking shall be practiced within their respective borders. In fact, the Federal law authorizes National banks to have branches only to the extent that State banks are so permitted under the law of the State in which the national bank is located. This establishes parallel treatment of branches as regards banks whether State or federally chartered. Although this equality exists with respect to branches, States have no way to protect themselves against an outside bank holding company coming in and buying stock in banks, especially national banks, located within their borders.

* * *

The local independent bank is itself, of course, an ideal small-business enterprise. Local people get together, they invest their own capital, they select their own management

and solicit the deposits of the community in which they are located. They then take those deposits and put them out to work for the benefit of the people living in that community. Moreover, because of the FDIC, the Federal Reserve System, and its corresponding banks, the local bank is in an advantageous position to meet the changing needs of its community.

Your committee should like to reemphasize the fact that this is the only country left where most communities are served by home-owned and home-managed banks which are aware of and responsive to the needs of the people of their areas. Our independent banking system has been a vital factor in the development of the United States. Like yeast cells in a loaf of bread, each working in its immediate area, our banks scattered throughout the country have cooperated to produce the greatest and most general economic development the world has known.

Other countries must depend on 3, 4, or 5 banks having up to thousands of branches. Policies and important credit decisions are made hundreds or thousands of miles from many of the branches. The interest of an enterprising local customer may run counter to that of a large main office account, in which event the former might suffer. This inevitably tends toward concentration in all lines, cartels, the stifling of new enterprises, and stagnation—what has been termed the "mature economy."

* * *

APPENDIX D

The Congressional Record (Excerpts)
Senate, April 23, 1956
[Page 6752]

Mr. ROBERTSON.

* * *

. . . the committee did not deem it necessary or advisable to insert in the bill an absolute prohibition against the expansion of bank holding companies across State lines as contained in the House bill and urged by the Independent Bankers Association.

* * *

The statement made by Senator Maybank in 1952 is very pertinent on the question of States' rights. Senator Maybank said:

> In the name of States' rights the position is taken that no bank holding company should be permitted to acquire bank stocks or assets across State lines or in any State in which branch banking is not allowed.
>
> Now, to me, States' rights means the right of a State to choose its own course of action on a matter within its own jurisdiction and not have the Federal Government make up its mind for it. This is the positive approach. A State should have the right to permit or prohibit branch banking, and at the same time, it should have the right to permit or prohibit the operation of bank holding companies within its borders. Any Federal legislation which forces a State to change its policies with respect either to branch banking or holding companies would be an unwarranted interference with States' rights. . . .

* * *

Senate, April 24, 1956
[Pages 6856-62]

Mr. DOUGLAS. Mr. President, I call up amendment designated 4-16-56-A, offered on behalf of myself and the Senator from Oregon [Mr. MORSE], the Senator from Mississippi [Mr. STENNIS], the Senator from New York [Mr. LEHMAN], the Senator from Maine [Mr. PAYNE], the Senator from North Carolina [Mr. ERVIN], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from New Mexico [Mr. CHAVEZ], and ask that it be read.

The PRESIDING OFFICER. The amendment offered by the Senator from Illinois for himself and other Senators will be stated.

The LEGISLATIVE CLERK. On page 8, between lines 6 and 7, it is proposed to insert the following new subsection:

> (d) Notwithstanding any other provision of this section, no application shall be approved under this section which will permit any bank holding company or any subsidiary thereof to acquire, directly or indirectly, any voting shares of, interest in, or all or substantially all of the assets of any additional bank located outside of the State in which such bank holding company maintains its principal office and place of business or in which it conducts its principal operations unless the acquisition of such shares or assets of a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication.

Mr. DOUGLAS. Mr. President, the pending bill, and the amendment which has just been read, are in the true American tradition, for what the sponsors of the amendment are seeking to do is to prevent an undue concentration of banking and financial power, and instead to keep the private control of credit diffused as much as possible. For we know that when the credit resources of a country become concentrated and fall into a few hands, then the industry and trade of that country also become concentrated.

Big banks commonly find it much easier and more to their liking to do business with big business rather than with little business.

JACKSON FOUGHT CENTRALIZATION OF BANKING AND CREDIT

Andrew Jackson realized all this when he faced Nicholas Biddle and the Second Bank of the United States. Biddle, building on the traditions of Hamilton, and supported by the Whigs under Webster and Clay, was attempting to make his bank the dominant financial institution of the whole country. He was fast succeeding in this attempt when Andrew Jackson took him on. Jackson not only opposed the private creation of monetary purchasing power by the bank, but also its tendency toward monopolizing credit by driving out the small banks. He wanted credit and banking to be decentralized and diffused so that men might be free.

In that terrific struggle, lasting over a decade, Jackson, aided by Thomas H. Benton, saved economic democracy in this country for a time by denying a new charter to Biddle's bank. And although the Whigs tried hard to revive Biddle's power, they were turned back by the Democrats and by John Tyler at a later date.

Similarly, when Salmon P. Chase created the national banking system during the Civil War, he not only desired to create a market for Government bonds by building up a supplementary currency built upon them, but he also wanted to have so many national banks created by the lure of double interest that the new banking system would also be diffused like that of the various State systems.

In short, we who are struggling to prevent the concentration of financial power from becoming greater are carrying on the fighting tradition of Andrew Jackson who wanted a competitive and a free America, and not one dominated by a relatively small group of financiers and industrialists.

DANGERS OF CONCENTRATED BANKING POWER SHOWN IN EXPERIENCE OF BRITAIN

If we look abroad we see plenty of corroboration for our fears about the concentration of banking powers. A century and a quarter ago, England had large numbers of provincial bankers who helped to finance the relatively small industries of their localities. But gradually these private bankers were bought up by and merged with the bigger houses, so that for many years now there have been virtually only five banks which have mattered in England and Wales, namely, Barclays, Lloyds, Midland, Westminster, and National Provincial. These firms do more than three-quarters of the banking business of the entire United Kingdom, including Scotland and Northern Ireland.

Along with this concentration in banking, and partially caused by it, there has developed a concentration in manufacturing and in industry.

• • •

CONCENTRATIONS IN BANKING AND CREDIT ARE ALSO SERIOUS DANGERS IN THIS COUNTRY

All these examples paint an image of what is likely to happen in this country if we permit the concentration of banking and credit, which has already gone far, to go farther. For here, as elsewhere, the control over credit is moving into fewer and fewer hands.

At the same time, industry has been moving out of competition into closer and closer concentration—monopoly and quasi-monopoly. This has been helped by the big banks. If we do not wish to travel the path of Canada, Great Britain, and Germany, we should do something effective to check and, if possible, to roll back the concentration of banking and credit. For he who controls the credit of a country controls the industry of that country and, ultimately, the political life of the Nation as well.

Unfortunately, we have already traveled very far down the way of the concentration of credit and banking. This has been done by the growth of the original home offices of the big banks, such as the Continental and First National Banks of Chicago and the Chase and National City Banks of New York, but also by three other forms of accretion, namely, mergers, branch banking, and bank holding companies.

* * *

Thus, nearly 1,100 banks merged during these 9 years, with the numbers greatly increasing during the last 3 years. This, moreover, was during a period when the total number of banks in the country was decreasing by 475, from 14,759 to 14,284. This was a decrease of 3.2 percent.

Among the big mergers were those in New York City of the Chase National Bank and the Bank of Manhattan, of

the National City and the First National, the Chemical Bank & Trust and the Corn Exchange, and the Bankers Trust and Public National. These mergers alone involved $19½ billion of assets and over 57 percent of the banking facilities of New York City. There have been a great many other mergers in other portions of the country.

BANK BRANCHES HAVE ALSO MULTIPLIED

The second way control over credit becomes concentrated is through the opening of branches. The organization of branch banks proceeded very rapidly in the 1920's, and to check their growth various States passed laws limiting, and in some cases preventing it, as in the case of Illinois. National banks had previously been implicitly prohibited from opening branches, and there was a strong movement to remove this prohibition and completely open up the field for the national banks. This, however, was not done. Instead, by the McFadden Act and other measures, national banks have been permitted to open branches only to the degree permitted by State laws and State authorities.

I may say that what our amendment aims to do is to carry over into the field of holding companies the same provisions which already apply for branch banking under the McFadden Act—namely our amendment will permit out-of-State holding companies to acquire banks in other States only to the degree that State laws expressly permit them and that is the provision of the McFadden Act.

* * *

HOLDING COMPANIES HAVE ALSO EXPANDED RAPIDLY

The third way in which credit is becoming concentrated is through the device of holding companies. Holding companies have been developed in part— I would say largely— in order to get around restrictions on branch banking. A State will prohibit branch banking, and so a holding company will be organized, which will buy up individual banks and operate them, in effect, within the State, and which sometimes buy up banks in other States and also operate them, in effect, as branches. Even though local officers and directors are used, the direction rests in the holding company. Two out-of-State holding companies have invaded Illinois in just this way, and each company controls three banks in Illinois, despite our Illinois laws prohibiting branch banking.

Now, the two holding companies which operate out of Minneapolis—namely, the First Bank Stock Corporation of Minneapolis, which had 75 banks and 6 branches, and which operated in 4 States, with total deposits of $1,352,000,000 as of the end of 1954, and the Northwest Bancorporation of Minneapolis, which had 72 banks and 22 branches in 7 States with deposits of $1,583,000,000—have been developed and formed largely because of restrictions on branch banking in Minnesota, Nebraska, North Dakota, South Dakota, and Montana. Since branch banking was prohibited or restricted, at least originally, these holding companies buy up the controlling interests in the banks and operate them as branches.

* * *

In New York the State is divided into 10 zones. Branch banking is permitted within each of the zones, but a bank cannot have branches in another zone. What happened

there? The Marine Midland Co., of Jersey City, was organized, and it bought banks in each of the 10 zones and established 125 branches. As of the end of 1954, it had total deposits of $1,635,000,000. Now, the letter of the law is complied with, but, in effect, each of those 10 banks—each one within a given zone—is operated as a unit of a centralized banking system.

TRANSAMERICA CORP. IS LARGEST HOLDING COMPANY AND GROWING RAPIDLY

The biggest holding company is, of course, Transamerica, which was originally closely affiliated with the Giannini banking interests and the Bank of America, but which has attained greater independence in recent years.

* * *

But all that the Senator from Illinois is at present trying to do is to prevent bank holding companies from expanding across State lines, unless the States give them explicit permission to do so.

* * *

PENDING AMENDMENT PREVENTS BANK ACQUISITION BY OUT-OF-STATE HOLDING COMPANY UNLESS STATE LAW EXPRESSLY PERMITS

Our amendment would prohibit bank holding companies from purchasing banks in other States unless such purchases by out-of-State holding companies were specifically permitted by law in such States. At present no State specifically grants such permission. Therefore the immediate practical effect would be to bar the expansion of bank holding companies across State lines. But the amendment would leave the way open for States to make explicit pro-

vision for such purchases and acquisitions if they so decided. If they were to do so, then such expansion would be subject to the rules and judgment of the Federal Reserve Board.

* * *

I wish to repeat that, so far as inter-state acquisition of banks is concerned, namely, purchase by bank holding companies of banks in other States, the provision in my amendment is in principle almost identical with the present provision which governs branch banking.

Therefore, it is a logical continuation of the principles of the McFadden Act, which tried to prevent the Federal power from being used to permit national banks to expand across State lines in a way contrary to State policy and, of course, under the McFadden Act, even to expand within a State.

Anyone who favors States rights, it seems to me should support my amendment.

* * *

I am not interested in having a bank situation in which there are only two banks in a State competing with each other. I am interested in a bank situation in which there are a large number of banks with no monopoly and with a dispersion of power.

* * *

Mr. BENNETT. Mr. President, I have grave doubt about the wisdom of the amendment of the Senator from Illinois [Mr. DOUGLAS] in the form in which it is presented. I recognize that it is less severe than the House language which contains a flat, unequivocal prohibition against bank holding companies crossing State lines. But it is only slightly less severe in that it makes a blanket prohibition

which can only be lifted by special affirmative action by the States and in its present form creates an evil which I must oppose.

The net effect of the amendment is to require every State that does not now have legislation prohibiting bank holding companies to discriminate in favor of such corporations that may be resident in their State and against bank holding companies resident in any other State and requires affirmative legislation to remove the discrimination.

So far as I can learn, no State has of its own volition, and by action of its own legislature, set up such a discrimination. There are some States, including the State of Illinois, which prohibit all bank holding companies, domestic as well as foreign. This is not discriminatory. But I know of no State that permits domestic bank holding companies to operate within its borders and shuts out their counterparts residents in other States. That would be the effect of this amendment.

For Congress to require discrimination in interstate commerce, and then leave it to the several States to correct it, is a strange approach, out of harmony with the basic American concept of fairness and fair play. It smacks a little of the concept that a man is guilty until proved innocent.

It will have two other interesting consequences. It will preserve and protect the status quo in those States in which foreign or domestic bank holding companies are now operating, and will serve to intensify their expansion within those narrowed ranges. This would tend to set up some areas of bank holding company concentration and others that will be free.

I think I can look at this problem objectively. In my State we have two big bank holding companies represented, one foreign and one domestic, and a number of smaller local banking groups. At last count we had 97 banks in the State, 58 in holding companies and 46 operating as independents. So I am in the middle, and can afford to look at the principles involved. Since I want to eliminate rather than create discrimination, and since I want the States left free to act on this subject affirmatively for themselves, and not first be burdened with discrimination by our action, I am forced to vote against the amendment.

* * *

Mr. PAYNE. Mr. President, I ask unanimous consent to have printed in the RECORD, a statement concerning the amendment offered by the Senator from Illinois, for himself and other Senators, and concerning the bill itself.

The PRESIDING OFFICER. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR PAYNE

The junior Senator from Maine would like to speak briefly today in support of bank holding company bill S. 2577, now under debate by the Senate. At the very outset, I would like to emphasize my firm faith in the independent banking system which has been the foundation of economic growth in the United States, the traditional source of capital investment, and the holder of the savings of millions of individual Americans. It is my firm belief that S. 2577 with the amendments approved by the Senate Committee on Banking and Currency and with the additional amendment proposed by the senior Senator from

Illinois [Mr. DOUGLAS] will halt the trend toward the destruction of the independent banking system and will preserve independent banking as the financial base of the United States economy.

* * *

Through its ability to cross State lines, the bank holding company can operate in a way closed to the independent bank. The competition presented by a single bank which is a subsidiary of a bank holding company may not in any legal sense be unfair competition, but the fact that it is backed by the powerful assets of a vast bank holding company gives it a competitive advantage that is undeniable. And this competitive advantage springs from the fact that the bank holding company can operate in a manner closed to the independent bank.

* * *

The independent bank is a local operation, owned and managed by citizens of the community in which it operates. The particular financial needs and problems of the community are well-known and thoroughly understood by the directors and officers of the local independent bank who in no small measure contributes to the economic growth and financial well-being of that community. What is important to the community is important to the financial leaders of that community. And in the independent bank those financial leaders are in a position to act in the interests of the community.

* * *

Although I approve of S. 2577 as a definite step in the right direction, it is my feeling that more can be done to insure the preservation of the independent banking system at this time. My distinguished colleague, the senior Senator from Illinois [Mr. DOUGLAS] has introduced an

amendment to S. 2577 which I have cosponsored. This amendment would require that State legislatures pass specific legislation authorizing bank holding companies from another State to acquire interests in State banks located within its borders. The purpose of this amendment is to return to the States their traditional control over the activities of the State banks now nominally under the State's authority.

S. 2577 leaves the control of the future expansion of bank holding companies to the discretion of the Federal Reserve Board. It is not my intention to question the capacity of the Federal Reserve Board to carry out the will of the Congress, but it seems to me that the control of expansion of bank holding companies across State lines into State banks is a matter of primary concern to the State governments and is an area best left to their discretion rather than to have it solely under the jurisdiction of the Federal Reserve Board.

Mr. President, in this brief statement, I have not attempted to go into the complexities of S. 2577. I have spoken in very broad terms, and have tried only to outline some of the reasons why I am in favor of S. 2577 with the amendment proposed by Senator DOUGLAS. We now have before us a bill which is just and reasonable. It does not pretend to rectify all the problems involved in bank holding companies. But it will, if enacted, go a long way toward halting the trend toward overconcentration of financial interests in the United States. The Douglas amendment would reestablish State authority over State banks. I am convinced that it will be in the interests of our banking system and in the interests of all the people of this Nation to enact S. 2577 with the Douglas amendment.

* * *

APPENDIX E

Affidavit of Walter J. Connolly, Jr. (April 18, 1984)

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 84-4047, 84-4051 and 84-4053

NORTHEAST BANCORP INC. and UNION TRUST COMPANY,

Petitioners,

against

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,

Respondent.

CITY OF HARTFORD)
) ss:
STATE OF CONNECTICUT)

WALTER J. CONNOLLY, JR., being duly sworn, deposes and says:

1. I am the chairman and chief executive officer of CBT Corporation ("CBT"). Upon consummation of CBT's proposed merger with and into Bank of New England Corporation ("BNE"), I am to become the chairman and chief executive officer of BNE. This affidavit is submitted in opposition to petitioners' applications for a stay of the

effectiveness of the Order dated March 26, 1984 of the Board of Governors of the Federal Reserve System approving the merger of CBT into BNE to be consummated on or after April 25, 1984, the thirtieth calendar day following the effective date of the Order.

• • •

25. Citicorp, the nation's largest and most aggressive banking organization, is a New York bank holding company with almost $130 billion in assets as of 1982 and $134.7 billion as of 1983. *1983 Citicorp Annual Report and Form 10-K* 34 (copy annexed hereto as Exhibit J). By contrast, the combination of BNE and CBT would have total assets of $10.1 billion based on data as of 1982. The assets as of December 31, 1982 of the banking institutions involved in all of the pending interstate bank transactions among New England institutions were:

	Total Assets (millions)
1. BBC	$18,267
2. CBT	5,070
3. BNE	5,065
4. HNC	4,128
5. RIHT	1,930
6. Colonial	1,262
7. Arltru	783
	$36,505

See Association of Bank Holding Companies, *Bank Holding Company Facts* (Spring 1983 Edition) (copy annexed hereto as Exhibit K); *Northeast Bancorp Inc.* v. *Woolf, supra,* Exh. M at 4. If all these institutions were combined into a single entity, that entity would have had total assets

as of 1982 of less than $37 billion, or less than one-third those of Citicorp.

26. Through its subsidiaries, Citicorp had total deposits as of December 31, 1983 of $79.8 billion. *1983 Citicorp Annual Report and Form 10-K* 34 (Exh. J). Not only is this vastly greater than the combined deposits of BNE and CBT as of the same date ($6.6 billion) but it is, in fact, over 30 percent greater than the combined deposits of all commercial banks located in all the New England states as of the same date (57.6 billion). *See* Decision Research Sciences, Inc., *Branch Directory and Summary of Deposits With Market Indicators* (copy of pertinent pages annexed hereto as Exhibit L). Moreover, the total equity capital ($5.8 billion) of Citicorp's principal bank subsidiary (Citibank, N.A.), upon which its lending limits are based, was more than 13 times greater than the combined equity capital of the principal bank subsidiaries of CBT and BNE. *1983 Citicorp Annual Report and Form 10-K* 34 (Exh. J).

27. While seeking to prevent interstate bank acquisitions by CBT, BNE and other New England banking institutions, Citicorp itself has aggressively expanded into a nationwide provider of banking and financial services. Citicorp has deposit-taking capabilities of various kinds in some 17 states and some form of presence in 41 states and the District of Columbia. *1983 Citicorp Annual Report and Form 10-K* 24 (Exh. J). Citicorp has formed "special-purpose" bank subsidiaries under interstate banking statutes in South Dakota and Delaware, and is seeking to open banks in Maryland and Maine. Citicorp also has acquired three huge financially troubled savings and loan associations in California, Florida and Illinois, thereby transforming

itself into one of the nation's leading savings and loan institutions. *Wall Street Journal,* December 19, 1983, at 27 (Exh. I); *1983 Citicorp Annual Report and Form 10-K* 15, 24 (Exh. J). As Citicorp chairman Walter Winston has recently written:

> With our recent acquisition of First Federal in Illinois and New Biscayne in Florida, coupled with Fidelity Savings in California, we have become one of the largest S&Ls in the country.
>
> With these institutions' low operating costs and extremely positive image, our consumer effort has an entirely new dimension. Citicorp now has the ability to take deposits and to provide a full range of consumer deposits in the United States. All this in 10 years.

American Banker, April 9, 1984, at 1 (Exh. I).

* * *

APPENDIX F

Forbes 1983 Annual Banking Survey (April 11, 1983)

100 largest bank holding companies: a statistical profile

Bank	*Total assets*	*Total deposits*	*Company and headquarters*
1	$129,997	$76,538	Citicorp (NY)
2	122,221	94,342	BankAmerica (Cal)
3	80,863	56,858	Chase Manhattan (NY)
4	64,041	43,825	Mfrs Hanover (NY)
5	58,597	37,910	JP Morgan (NY)
6	48,275	27,998	Chemical New York (NY)
7	42,899	28,175	Continental Illinois (Ill)
8	40,884	30,542	First Interstate Bncp (Cal)
9	40,427	24,493	Bankers Trust NY (NY)
10	36,991	25,848	Security Pacific (Cal)
11	35,876	27,419	First Chicago[3] (Ill)
12	24,939	18,195	Crocker National (Cal)
13	24,814	18,180	Wells Fargo (Cal)
14	21,030	14,405	InterFirst (Tex)
15	20,294	12,328	Mellon National (Pa)
16	20,239	15,057	Marine Midland Banks (NY)
17	19,514	14,153	Irving Bank (NY)
18	18,267	11,674	First Natl Boston (Mass)
19	18,217	13,212	Texas Comm Bancshs (Tex)
20	17,585	11,971	Northwest Bancorp (Minn)
21	17,218	11,942	RepublicBank (Tex)
22	16,899	11,877	First Bank System (Minn)
23	16,567	13,355	First City Bancorp (Tex)
24	12,724	8,873	Bank of New York (NY)
25	12,407	8,580	NBD Bancorp (Mich)
26	11,611	7,401	FNC Financial (Pa)
27	11,560	7,922	NCNB (NC)
28	10,190	7,332	Mercantile Texas (Tex)
29	10,028	8,175	Seafirst (Wash)
30	9,280	6,770	Republic New York (NY)
31	8,325	5,756	European American[6] (NY)
32	7,545	5,436	Union Bank[6,7] (Cal)
33	7,378	5,872	Comerica (Mich)
34	7,274	5,521	Southeast Banking (Fla)
35	7,183	5,513	Valley National (Ariz)

Bank	*Total assets*	*Total deposits*	*Company and headquarters*
36	$7,137	$4,897	Harris Bankcorp (Ill)
37	6,932	5,759	Barnett Banks of Fla (Fla)
38	6,927	5,770	Southwest Bancshs (Tex)
39	6,916	4,933	Wachovia (NC)
40	6,823	4,488	National City (Ohio)
41	6,807	5,219	Natl Bank N Amer[6,7] (NY)
42	6,647	2,280	Walter E Heller Intl[9] (Ill)
43	6,504	5,544	Michigan National (Mich)
44	6,301	4,172	Philadelphia Natl (Pa)
45	6,253	4,369	Northern Trust (Ill)
46	6,168	3,673	First Union (NC)
47	6,011	4,971	Allied Bancshares (Tex)
48	6,005	4,286	Citizens & Sthrn Ga (Ga)
49	5,865	4,260	Rainier Bancorp (Wash)
50	5,822	4,495	BancOhio (Ohio)
51	5,756	4,077	US Bancorp (Ore)
52	5,753	4,160	AmeriTrust (Ohio)
53	5,691	3,713	Mercantile Bancorp (Mo)
54	5,433	3,496	First Pennsylvania (Pa)
55	5,376	3,960	Shawmut (Mass)
56	5,284	4,078	Manufacturers Natl (Mich)
57	5,245	3,955	Huntington Bancshs (Ohio)
58	5,122	3,494	Centerre Bancorp (Mo)
59	5,070	3,691	CBT (Conn)
60	5,065	4,089	Bank of New England (Mass)
61	5,055	2,926	Maryland National (Md)
62	5,029	3,896	Banc One (Ohio)
63	5,004	4,095	Sun Banks of Florida (Fla)
64	4,868	3,641	First Natl St Bancorp (NJ)
65	4,848	3,444	United Virginia Bchs (Va)
66	4,836	3,533	First Wisconsin (Wisc)
67	4,812	3,171	Girard (Pa)
68	4,717	3,662	Texas Amer Bancshs (Tex)
69	4,609	3,319	First Security (Utah)
70	4,536	3,058	Fleet Financial Group (RI)
71	4,511	3,018	Trust Co of Georgia (Ga)
72	4,480	3,046	First Atlanta (Ga)
73	4,339	3,535	Midlantic Banks (NJ)
74	4,156	3,576	California First Bk[7] (Cal)
75	4,135	3,507	Bank of Tokyo Trust[6,7] (NY)

Bank	Total assets	Total deposits	Company and headquarters
76	$4,128	$3,322	Hartford National (Conn)
77	4,120	3,019	Pidelcar (Pa)
78	3,915	2.483	State Street Boston (Mass)
79	3,911	3,020	Society (Ohio)
80	3.892	3,015	Lincoln First Banks (NY)
81	3,874	3.107	Virginia Natl Bkshs (Va)
82	3.839	2.728	BanCal Tri-State (Cal)
83	3,820	3,293	First of America Bk (Mich)
84	3,716	3.054	Riggs National (DC)
85	3.710	3.168	BayBanks (Mass)
86	3.653	3,050	Norstar Bancorp (NY)
87	3,522	2,645	United Banks of Colo (Colo)
88	3.498	2,719	Florida Natl Banks (Fla)
89	3,447	2.299	First Maryland Bncp (Md)
90	3,409	2.757	Fidelity Union Bncp (NJ)
91	3,407	2,569	American Security (DC)
92	3,392	2.512	First Tenn Natl (Tenn)
93	3,353	2,530	Bank of Virginia (Va)
94	3,343	2,545	Commerce Bancshares (Mo)
95	3,326	2,203	First Oklahoma Bncp (Ok)
96	3,314	2,489	Intra West Financial (Colo)
97	3,255	2,450	AmSouth Bancorp (Ala)
98	3,232	2.591	United Jersey Banks (NJ)
99	3,225	2,501	Dominion Bankshares (Va)
100	3,215	2,453	Equimark (Pa)